

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT & COMPLIANCE BRANCH**

**RESOLUTION NO. W-4339
JUNE 27, 2002**

R E S O L U T I O N

**(RES. W-4339), NORTH GUALALA WATER COMPANY, INC.
(NGWC). REQUEST TO PAY DOWN THE LOAN UNDER THE
CALIFORNIA SAFE DRINKING WATER BOND LAW, AND
REDUCE THE EXISTING SURCHARGE TO REPAY THE
PRINCIPAL AND INTEREST.**

BY ADVICE LETTER NO. 55, DATED JANUARY 14, 2002.

SUMMARY

This Resolution authorizes North Gualala Water Company (NGWC), a Class C water utility, to pay down its Safe Drinking Water Bond Act (SDWBA) loan contract with the state Department of Water Resources (DWR) and to reduce the existing surcharge on water rates.

The Water Division's Audit & Compliance (Audit) Branch has performed an audit of NGWC's books and records relating to the SDWBA trust account and found them to be in satisfactory order. Based on its review, the Audit Branch has determined that the surplus in the trust account can be paid to DWR and that NGWC's proposed reduction in surcharge on customer rates is reasonable.

BACKGROUND

NGWC provides water service to 940 metered customers in and around Gualala, approximately 15 miles south of Point Arena in Mendocino County.

In 1995, NGWC applied for authority from the Commission to obtain a loan under the SDWBA in order to make plant improvements necessary for water quality, and to apply a surcharge to customer bills in order to repay the loan.

In 1996, the Commission approved the borrowing and surcharge. Resolution F-645 dated January 24, 1996, authorized NGWC to borrow up to \$3,081,938 and use the proceeds for the replacement of existing water mains, construction of water storage facilities including a pump station and emergency generators, and improvements to the surface water treatment plant. The resolution imposed a surcharge on NGWC's water rates in order to fund payments of principal and interest on the loan.

In 1998, NGWC requested additional monies for a total of \$4.4 million. The loan increase was needed to fund and complete NGWC's project which was delayed due to higher than expected construction and design costs. NGWC also requested an increase in its surcharge on water rates in order to amortize the increased loan.

On August 6, 1998, the Commission issued Resolution W-4108, which authorized NGWC to borrow an additional \$1,582,709, for a total estimated loan principal of \$4,664,647, and to increase the surcharge on water rates to amortize the increased loan amount.

DISCUSSION

On January 14, 2002, NGWC filed Advice Letter No. 55 with the Commission requesting a reduction in surcharge.

Based on this request and the apparent surplus in NGWC's trust account, the Water Division's Audit Branch performed an audit of the books and records relating to the fund. The Audit Branch examined the company's revenues, surcharges, and customer billings and determined that NGWC's books and records are in satisfactory order. The Audit Branch noted there has been a small increase in customer base. There were 915 customers in 1995; this number grew to 940 by the year 2000.

NGWC maintains its trust account with Westamerica Bank. The Audit Branch reviewed bank statements for the period 1996 through 2001, and tested the SDWBA surcharge billing and deposit transactions and found them to be

reliable. There are no indications that SDWBA funds have been misappropriated.

NGWC has accumulated excess funds in its reserve account from past collections. DWR requires that NGWC accumulate two semi-annual payments in order to maintain the appropriate reserve in its SDWBA trust account. The balance in NGWC's reserve account was \$612,786 as of December 31, 2001. This balance greatly exceeds the required reserve of \$206,762 (2 semi-annual payments of \$103,381).

In March 2002, NGWC remitted \$200,000 to DWR in order to pay down its SDWBA loan. The Audit Branch recommends that NGWC remit an additional \$200,000 to DWR, which will effectively remove the surplus in the trust account.

In order to avoid future overcollection, the Audit Branch concurs with NGWC's proposed surcharge schedule in Advice Letter No. 55, which reduces the surcharge on water rates, based on the capacity of the meter or service, as follows:

	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
	<u>Surcharge</u>	<u>Surcharge</u>
For 5/8 x 3/4-inch meter	\$ 18.15	\$ 17.15
For 3/4-inch meter	27.20	25.70
For 1-inch meter	45.35	42.85
For 1 1/2-inch meter	90.75	85.75
For 2-inch meter	145.20	137.20
For 3-inch meter	225.50	225.50
For 4-inch meter	287.00	287.00

FINDINGS

1. NGWC should pay \$200,000 to DWR to pay down its SDWBA loan contract.
2. NGWC's request to reduce the existing surcharge on water rates is reasonable.

3. The proposed rate surcharge will decrease the water rates by \$1.00 per month for over 90% of NGWC's customers.
4. NGWC's proposed surcharge will generate approximately \$206,762 per year to repay the principal and interest on the loan.
5. NGWC should continue to review annually the rate surcharge and adjust as necessary, by the advice letter procedure, the rate surcharge to reflect changes resulting in overages or shortages in the balancing account.

THEREFORE IT IS ORDERED THAT:

1. Not later than 60 days after the effective date of this resolution, North Gualala Water Company, Inc. is ordered to pay \$200,000 from its trust account to the Department of Water Resources, under the Safe Drinking Water Bond Act, in order to pay down its loan contract.
2. North Gualala Water Company's Advice Letter No. 55 is approved.
3. The effective date of this Resolution is today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 27, 2002; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
CARL W. WOOD
GEOFFREY F. BROWN
MICHAEL R. PEEVEY
Commissioners

